

Barrow Hanley Concentrated Global Share Fund

Formerly known as "Pental Concentrated Global Share Fund"

ARSN: 613 608 085

About the Fund

The Barrow Hanley Concentrated Global Share Fund (**Fund**) is an actively managed concentrated portfolio of global shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI World ex-Australia (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long term capital growth from a portfolio of quality global shares, diversified across a broad range of global sharemarkets (including Australia) and are prepared to accept higher variability of returns.

The Fund will primarily invest in companies incorporated in developed markets and may hold up to 20% of the portfolio in companies incorporated in emerging markets. The Fund may also hold cash.

Barrow Hanley strives to achieve the Fund's objectives by adopting a value-oriented, bottom-up investment process focused on in-depth fundamental research to identify companies that trade below their intrinsic value for reasons that they can identify, believe are temporary and have a clearly identified path to achieving fair value.

Barrow Hanley aims to select the most attractive securities to construct a well-diversified, active portfolio that seeks to provide asymmetrical returns by participating in up markets while aiming to protect in down markets. The Fund will exhibit a clear value bias and seek characteristics such as:

- price/earnings ratios below the market;
- price/book ratios below the market;
- enterprise value/free cash flow ratios below the market; and
- dividend yields above the market.

The Fund will typically hold between 25-40 stocks.

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Generally, these currency exposures will not be hedged to the Australian dollar but Pental may do so from time to time, by using derivatives. Pental does not intend to use currency trading as an additional source of Fund returns.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives may also be used to gain exposure to assets and markets.

The Fund applies exclusionary screens. For more information on how these exclusions are applied and exclusions from 29 February 2024, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pentalgroup.com/BarrowHanleyConcentratedGlobalShareFund-PDS.

Factsheet

Global Equities

29 February 2024

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	2.75	2.82	5.92
3 months	6.10	6.34	12.74
6 months	0.46	0.91	11.92
1 year	11.86	12.87	29.79
2 years (p.a)	8.37	9.35	13.65
3 years (p.a)	11.18	12.19	15.19
5 years (p.a)	9.07	10.06	13.75
Since Inception (p.a)	10.96	12.05	13.38

Source: Pental as at 29 February 2024

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: July 2016.

Past performance is not a reliable indicator of future performance.

We have made some historic revisions to our pre-fee returns. From December 2018 to January 2020, returns for the Fund included a 'gross up' for fees that overstated the issuer fee deducted from the Fund. The historic pre-fee returns have been reduced to reflect the correct fee 'gross up'. The magnitude of the reduction is around 0.2% p.a.

Country Allocation (as at 29 February 2024)

United States	64.1%
United Kingdom	10.9%
France	6.9%
China	6.0%
Japan	5.5%
Canada	3.3%
Brazil	1.8%
Norway	1.1%
Cash & other	0.4%

Sector Allocation (as at 29 February 2024)

Energy	9.1%
Materials	10.8%
Industrials	10.3%
Consumer Discretionary	5.7%
Consumer Staples	9.6%
Health Care	15.8%
Information Technology	7.5%
Telecommunication Services	6.3%
Utilities	6.6%
Financials ex Property Trusts	13.9%
Property Trusts	3.9%
Cash & other	0.4%

Top 10 Holdings (as at 29 February 2024)

BAE Systems PLC	5.0%
Comcast Corp	4.4%
QUALCOMM Inc	4.2%
Danone SA	3.9%
Seven & i Holdings Co Ltd	3.9%
Merck & Co Inc	3.8%
Entergy Corp	3.5%
American International Group Inc	3.3%
Enbridge Inc	3.3%
Fidelity National Information Services I	3.2%

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee ¹	0.90% pa
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¹ This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Other Information

Fund size (as at 29 February 2024)	\$529 million
Date of inception	29 July 2016
Minimum investment	\$25,000
Buy-sell spread ²	
For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	BTA0503AU

² The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk** - The risk associated with an individual asset.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk** - Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Concentrated portfolio risk** – The Fund's investment strategy of seeking to generate high returns by investing in a concentrated portfolio of global shares may make the Fund more volatile than a diversified global share fund with a larger number of shares. This means there is a greater risk of negative returns, particularly over the short to medium term.

Please read the Fund's Product Disclosure Statement (PDS) for a detailed explanation of each of these risks.

Market Overview

The second month of 2024 marked a continuation of many themes observed over the past year. Global markets pushed higher, with the MSCI World and MSCI All Country World indexes up 4.2% and 4.3%, respectively. This built on the sharp reversal from December that continued through January, with the returns for the first two months up 5.5% and 5.9%, respectively. This continuation of strong performance in the month can be seen in the momentum factor: the stocks with the highest 12-month momentum (top quintile) are up nearly 20% year-to-date with no other quintile ahead of the MSCI World Index. Further, returns were not evenly distributed across the globe. Unlike last quarter, growth stocks generally led value stocks across markets, and sector performance remained mixed (albeit all sectors were positive during the month except Utilities). The top performing sectors in the MSCI World Index were the Consumer Discretionary, Information Technology, Industrials, and Communication Services sectors. The worst performing sectors – Utilities, Consumer Staples, Energy, and Real Estate – are more interest rate-sensitive sectors and were hurt by the continued market focus on the notion that interest rates may fall slower than previously expected.

The U.S. market continued outperforming other geographic areas, a theme which endures from 2023. However, emerging markets rebounded from a tough January, outperforming ex-U.S. developed markets. The U.S. continued to report lower inflation numbers (just above 3%), which is proving persistent as the last seven months have seen a year-over-year reading between 3.1% and 3.7%. The U.S. Federal Reserve (the Fed) indicated that rate cuts may occur later than investors anticipated, which has led to the market expecting three rate cuts, down from the market expectation in December of 2023 for six rate cuts. This is due, in part, to a surprisingly strong labor market where the unemployment rate remains at 3.7% with productivity gains that exceeded expectations. While economic growth was expected to slow meaningfully in the final quarter of the year, the economy remained resilient with GDP growth of 3.3%, exceeding estimates of 1.8%, and the U.S. dollar strengthened against major currencies for the second month in a row. The stronger than expected data gives credence to the notion of a soft landing, which now seems like the consensus market view. However, the full impact of higher rates and the impact of more than a decade of quantitative easing still leaves many questions unanswered regarding the long-term impact these actions will have on markets going forward.

Non-U.S. markets diverged during the month, with continental Europe (+2%) doing better than the UK (flat). Emerging markets was the best performing geography outside the U.S., 4.8% higher during the month, followed closely by Japan. A strong performer in 2023 relative to non-U.S. peers, Japan picked up where it left off as the market surged another 3% during the month, making it the best performing market to start the year with a one-year return above 30%. Similar to the U.S., inflation continues to be a concern in the European Union, although it remains slightly lower than in the U.S., begging the question whether the European Central Bank will be able to cut rates before the Fed (which would be atypical). Economic data has been mixed, with PMIs strengthening in 2024, while the European Sentiment Indicator softened. Further, geopolitical tensions near European borders continue to cast a pall over the region. Europe has been able to avoid challenges of lower gas supplies since the outbreak of the war in Ukraine and has addressed this issue to some degree; however, a broader conflict within the Middle East could escalate concerns once again. Unemployment rates remain a concern for major European economies as economic sentiment across the continent remains weak.

Mixed economic signs remain in China, with continued growth at a slower rate than before the pandemic. However, this is occurring with a backdrop of deflating producer and consumer prices and soft economic confidence. Further, the demographic drag continues as China's population ages, necessitating economic growth come from labor productivity gains or an increase in labor participation. Economic stimulus is the policy area investors are watching most intently, as the government unveiled a GDP target growth rate of 5% going forward. Premier Li Qiang's comments were seized upon by equity bears who were hoping for more details surrounding policy support or stimulus. Stocks are likely to trade more on sentiment than fundamentals until policy becomes clearer. The property market remains a concern and is worth monitoring to see how China addresses the weakness that has been one of the largest areas of historically strong economic strength.

Strategy Performance

During a month in which growth stocks led the market higher, the strategy underperformed the MSCI World Index. From a sector perspective, the underperformance was spread between stock selection and allocation impacts. Positive stock selection within the Financials, Materials, and Consumer Staples sectors positively contributed to relative performance. Challenging stock selection in the Communication Services, Consumer Discretionary, and Health Care sectors detracted from relative performance. The relative negative impacts from allocation were mostly due to the growth/value dispersion mentioned earlier in this commentary as the portfolio was hurt by the underweight to the Information Technology sector while being overweight the Utilities and Materials sectors. Regionally, the majority of the underperformance was driven by stock selection in the U.S., overpowering positive stock selection in the UK and Japan. Regional allocation impacts were modest during the month.

Top Contributors

Construction supplies and aggregates company **CRH plc** performed strongly in February, releasing strong quarterly earnings. The company beat consensus and released 2024 guidance higher than estimates, reflecting projected growth of 14% year-over-year. The company continues to grow earnings through pricing power as volumes in construction remain relatively flat. Over the long-term, we expect the company to benefit from enduring infrastructure tailwinds.

QUALCOMM Incorporated positively contributed to relative performance during the month after reporting quarterly results closer to the higher end of guidance. The company also announced that it reached a deal with Apple through 2027, which should improve sentiment as it also inked a deal with Samsung. The company engages in developing and commercializing foundational technologies and products used in mobile devices and other wireless products. The handset market is in the early stages of recovery, which should provide investors with some confidence that earnings have stabilized and can push higher as the market normalizes.

Top Detractors

Industrial gases company **Air Products and Chemicals, Inc.** underperformed in February after an earnings report that missed expectations, even though it continued to show year-over-year growth. The main reason for the miss was weakness in China and electronics, for which the company supplies helium. The company guidance for the next two quarters was well below consensus. The company is cheaper than it has been in years, trading at roughly 15x distributable free cash flow.

Comcast Corporation Class A underperformed in February on a relatively light news month. The company was a top contributor in January, but struggled this month as ESPN, Fox, and Warner Bros. Discovery announced their intention to form a joint venture for a streaming sports platform. This could pose increased competition for linear cable providers that offer live sports, but the details of the deal and its relative impact are still unclear. The company remains cheap as it trades at 9.6x forward earnings, with a dividend yield of 3%.

Portfolio Changes

During the month, there were no significant changes to portfolio positioning.

Market Outlook

The continuation of the market rally in February pushed some markets toward highs. The strong returns over the past year may have outpaced the fundamentals of companies, as inflation remains above the 2% targets favored by central banks. Markets remain hopefully positioned that 2024 will be the year in which inflation is under control and monetary policy is more accommodative.

However, the current market optimism is still pricing in more accommodative monetary policy for 2024 in the form of rate cuts in the U.S. and Europe. This is reflected in elevated multiples and earnings growth estimates are still above 10%. A negative return environment could recur if there is any disappointment from the current forecast of multiple rate cuts in 2024, which could lead to multiple compression among more expensive stocks, or if earnings growth does not materialize. Another item to watch is that this is a major election year in roughly half the countries around the world, accounting for a significant share of global market cap (as seen in the chart below). While the results will be determined over the year, it is likely that changes will have ramifications for markets. In the U.S., it is a presidential election year. Equity markets have been positive during presidential election years since the 1940s, with stronger returns when an incumbent is running for reelection. Given the optimism already implied from valuations and expected rate cuts, is this the year that the winning streak ends?

Further, we still do not understand the longer-term ramifications of the Quantitative Easing experiment, as business and economic cycles have been prolonged beyond historical norms. One gauge for this is companies with a price to sales ratio above 10x, which are now responsible for roughly 8% of the weight of the Russell 3000. While off peak levels, it still remains elevated when compared to long-term historical averages. If interest rates remain elevated, it remains an open question what this means for growthier, more speculative areas of the market.

As macro issues tend to swing markets up and down, it is important to remember that the best time to find value is when markets are fearful or exuberant about a small opportunity set and are ultimately overlooking good companies with solid operating fundamentals. The strength of our investment proposition is our ability to identify dislocations within the market and find those specific securities that have been dislocated for reasons that do not impair their long-term fundamental strength. As we have continued to apply our investment process, we believe our current portfolio is well positioned to provide strong investment results going forward. Thank you for your continued support of Barrow Hanley and our Global Value Equity strategy.

For more information please call 1300 346 821,
contact your key account manager or visit pendalgroup.com

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this fact sheet and PFSL reserves the right to vary these from time to time.